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THE FATS AND OILS SITUATION

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: The outlook for fats, oils, and oilseeds for 1940. :

Summary

Production of fats and oils from domestic materials in 1939-40 is expected to be the largest on record. Increased production of lard, grease, soybean oil, and linseed oil will much more than offset decreased production of cottonseed oil and peanut oil. Stocks of fats and oils on July 1, 1939, were unusually large. With record supplies of domestically produced fats, import requirements for vegetable oils and oilseeds are considerably less this year than they were a year earlier.

Present indications are that both domestic and foreign demand for food and soap fats will be strengthened somewhat during the next year as a result of increases in industrial and war activities. Domestic prices of edible fats and oils in 1940 may be somewhat higher than in 1939, despite the relatively large supplies of such fats and oils available.

The United States has imported fats, oils, and oilseeds on balance since 1915, but lard continues to be exported, and during the past few years a surplus of soybeans has been available for export. Present conditions indicate that the United Kingdom will increase to some extent its takings of American lard. This will tend to restore to lard its former premium over prices of cottonseed and other vegetable oils, lost in recent months as a result of the large domestic surplus of lard.

Domestic supplies of cottonseed for the 1939-40 marketing season are indicated to be slightly smaller than those of a year earlier and less than average. Although supplies of competing oils and feeds are large, the demand for cottonseed oil, hulls, and meal is expected to be somewhat stronger this season than last. And the demand for linters may be considerably stronger because of their usefulness for war purposes.

With the continuation of the peanut-diversion program, returns per acre from the 1939 peanut crop are expected to compare favorably with those from cotton and other competing crops. The peanut crop in 1939 was smaller than the record crop of 1938, but about 200 million pounds of peanuts are expected to be available for crushing in the 1939-40 season.

Soybean production for 1939 is the largest on record. Although large supplies of soybean and linseed meal will be available, the demand for high-protein feeds is expected to be stronger than a year earlier. The demand for soybean oil also is expected to be stronger. It is probable that more soybeans will be exported in 1939-40 than a year earlier.

World supplies of flaxseed are about the same as in late 1938. But an increase in the Argentine crop to be harvested in late 1939 and early 1940 is indicated. The acreage of flax seeded in the United States in 1939 was the largest since 1936, and a further expansion in domestic flax acreage seems probably for 1940. The European demand for flaxseed is expected to be weaker in 1939-40 than a year earlier, but demand in the United States probably will be well maintained. Continued difficulties in securing shipments of tung oil from China because of military operations in that country will tend to support the demand for flaxseed and linseed oil in the United States. With larger world supplies and a somewhat weaker world demand, however, flaxseed prices in 1940 may average lower than in 1939 unless commodity prices generally score a sharp advance.

REVIEW OF RECENT DEVELOPMENTS

September price rise well maintained in October

After rising sharply in September, lard prices declined about 15 percent in October, but continued well above the low levels of the mid-summer months. Prices of other domestic fats and oils, with the exception of butter, linseed oil, and peanut oil, declined slightly in October, but remained 20 to 60 percent higher than in August, when prices of most fats and oils were the lowest in more than 5 years.

Butter prices advanced seasonally in October. Linseed oil also was up, partly because of a relatively strong demand for paints and partly because of the short supplies and high prices of tung oil in this country.

Prices of imported oils for which quotations are available were steady to higher in October, with advances of 1 to 25 percent. Compared with August prices, imported oils were up 15 to 50 percent.

In comparison with prices in October 1938, corn oil, soybean oil, cottonseed oil, and lard were 1 to 11 percent lower in October this year. Peanut-oil prices were about as before, while prices of oleo oil, tallow, butter, grease, oleostearine, and linseed oil were 8 to 18 percent higher. Prices of most imported vegetable and marine oils were 10 to 30 percent higher than a year earlier, while prices of tung and oiticica oil were about double those of October 1938.

Antarctic whaling operations under way

Norwegian and Japanese whaling fleets sailed for the Antarctic in October, according to reports from the American Consulate General at Oslo and the American Commercial Attache at Tokyo. The United States factory ship "Ulysses", with nine killer boats, also sailed. German and British vessels probably will not participate in whaling activities during the 1939-40 season.

In recent years over 80 percent of the world supply of whale oil has been produced in the Antarctic. Production in that region during the past season totaled over 1 billion pounds and was exceeded only by the record production of 1,247 million pounds in 1937-38. World production of whale oil in the 1937-38 season totaled 1,357 million pounds. Without British and German participation, total production of whale oil in the 1939-40 season probably will be considerably smaller than in recent years.

World production of whale oil including sperm oil, by whaling regions, specified periods and years

Period and year 1/	Antarctic	Arctic	Africa	Other grounds	Total 2/	Antarctic as percentage of total
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Pct.
Average						
1909-10 to 1913-14	125	17	59	24	226	55
1914-15 to 1918-19	144	5	18	28	195	74
1919-20 to 1923-24	164	10	30	24	228	72
1924-25 to 1928-29	375	16	53	49	492	76
1929-30 to 1933-34	882	12	27	18	939	94
1934-35	916	6	44	39	1,005	91
1935-36	909	8	50	104	1,072	85
1936-37	992	25	43	138	1,199	83
1937-38	1,247	7	20	83	1,357	92
1938-39	3/ 1,050					

Computed from "International Whaling Statistics," edited by the Committee for Whaling Statistics appointed by the Norwegian Government, Oslo, except as noted. Data converted from barrels to pounds on the basis of 373.3 pounds to the barrel.

1/ The summer season for the Southern Hemisphere is combined with the summer season following in the Northern Hemisphere.
2/ Total of unrounded numbers.
3/ Norwegian Whaling Gazette, Sandefjord, June 1939.

World production of whale oil including sperm oil, by countries, average 1929-33, annual 1934-37 1/

Country	Average, 1929-30 to 1933-34	1934-35	1935-36	1936-37	1937-38	1938-39
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
British Empire	386	481	462	480	487	
Norway	501	463	434	445	436	
Germany	---	---	---	23	138	
Denmark	7	1	1	29	1	
Japan	6	16	28	71	158	
U.S.S.R.	1	7	7	2/ 6	3	
United States	10	9	30	56	62	
Panama	---	---	77	68	44	
Argentina	26	20	28	18	19	
Chile	1	6	3	2	3	
Other countries	---	2	1	1	5	
Total all countries 3/	939	1,005	1,072	1,199	1,357	

Computed from "International Whaling Statistics," Oslo. Data converted from barrels to pounds on the basis of 373.3 pounds to the barrel.

1/ The summer season for the Southern Hemisphere is combined with the summer season following in the Northern Hemisphere.
2/ Estimated by the Norwegian Committee for Whaling Statistics.
3/ Total of unrounded numbers.

Table 1.- Price per pound of specified fats and oils, and oil-bearing materials, October 1937 and 1938, and August-October 1939

Item	October		1939		
	1937	1938	Aug.	Sept.	Oct.
	Cents	Cents	Cents	Cents	Cents
Fats and oils-					
Butter, 92 score, Chicago	34.9	25.5	23.5	27.4	28.4
Oleomargarine, dom. veg., Chicago	15.0	15.8	14.5	14.9	15.0
Lard, prime steam, Chicago	10.0	7.4	5.6	7.8	6.6
Lard, refined, Chicago	12.0	8.5	6.4	9.6	8.0
Lard compound, Chicago	10.2	10.0	8.8	9.7	9.7
Corn oil, crude, tanks, f.o.b. mills	6.8	6.7	5.1	6.8	6.6
Corn oil, refined, bbls., N. Y.	10.1	9.8	7.8	9.1	9.3
Cottonseed oil, crude, tanks, f.o.b. S.E.mills	6.1	6.3	4.5	5.9	5.8
Cottonseed oil, p.s.y., N. Y.	7.3	7.6	5.5	7.1	6.8
Oleo oil, extra, Chicago	12.4	9.4	6.9	10.6	10.1
Oleostearine, bbls., N. Y.	9.4	7.6	5.6	9.2	8.9
Peanut oil, crude, tanks, f.o.b. mills	6.6	7.0	5.1	6.6	7.0
Peanut oil, dom. refined, bbls. N. Y.	10.5	10.4	8.6	9.5	10.5
Soybean oil,crude,tank cars,midwestern mills	5.8	5.0	4.2	5.1	4.9
Soybean oil, refined, N. Y.	9.0	7.9	6.7	8.0	8.4
Babassu oil, N. Y.	---	6.3	5.8	7.0	7.0
Coconut oil,crude,tanks,f.o.b.Pacific Coast 1/	7.4	5.9	5.6	6.6	6.8
Coconut oil, edible, N. Y. 1/	10.0	8.2	7.6	7.6	---
Olive oil, edible, bbls., N. Y.	32.0	25.1	25.1	27.9	30.0
Palm-kernel oil, denatured, bbls., N. Y. 1/	8.0	6.6	6.4	6.4	---
Palm oil, crude, casks, N. Y. 1/	7.5	6.6	6.6	6.6	---
Rape oil, refined, bbls., N. Y. 2/	17.2	15.0	15.4	16.0	18.0
Sesame oil, refined, drums, N. Y.	10.5	10.5	9.2	10.3	---
Teaseed oil, crude, N. Y.	9.4	7.4	10.3	12.0	13.5
Tallow, inedible, Chicago	5.7	5.0	4.0	5.9	5.6
Grease, A white, Chicago	6.6	5.2	4.1	6.2	5.9
Menhaden oil, crude, tanks, f.o.b. Baltimore	4.7	4.0	3.2	3.7	4.6
Sardine oil, crude, tanks, Pacific Coast	4.7	3.7	3.1	4.2	4.6
Whale oil,refined,bleached winter,bbls., N. Y.	9.9	8.2	7.6	9.1	9.5
Olive oil foots, prime, casks, N. Y. 3/	10.6	7.1	6.8	9.0	10.0
Linseed oil, raw, tank carlots, Minneapolis	10.4	8.5	8.1	9.1	10.0
Linseed oil, raw, carlots, bbls., N. Y.	11.0	8.8	8.7	10.1	10.2
Oiticica oil, N. Y.	17.6	11.0	17.4	19.7	21.0
Perilla oil, drums, N. Y. 2/	18.4	14.5	16.8	18.9	19.0
Tung oil, drums, N. Y.	21.8	13.8	22.0	26.6	28.2
Castor oil, No. 3, bbls., N. Y.	10.2	9.2	8.2	8.8	10.8
Cod oil, Newfoundland tanked, bbls., N. Y.	6.9	5.1	4/4.4	4/4.4	---
Oil-bearing materials-					
Copra, bags, f.o.b. Pacific Coast	2.7	1.9	1.6	2.1	2.3
Cottonseed, U.S. farm price (dol. per ton)	18.4	22.4	16.2	20.6	22.9
Cottonseed, Dallas (dol. per ton)	---	22.4	15.7	22.4	25.0
Flaxseed, No. 1 Minneapolis (per bu.)	216.9	184.3	153.5	175.1	185.7
Soybeans, No. 2 Yellow, Chicago (per bu.)	98.0	74.0	---	87.0	87.0

Compiled from Oil, Paint and Drug Reporter, National Provisioner, and reports of the Agricultural Marketing Service and Bureau of Labor Statistics.

1/ Includes excise tax of 3 cents beginning May 10, 1934. 2/ Includes excise tax of 4.5 cents beginning August 21, 1936. 3/ Reported in drums beginning Sept. 2, 1939. 4/ Quoted as "untanked."

Table 2.-Oleomargarine: Production and materials used in manufacture, United States, September 1937 and 1938, July-September, 1939

Item	September		1939 1/		
	1937	1938	July	Aug.	Sept.
	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.	1,000 lb.
Oleo oil	764	1,110	859	1,060	862
Oleostearine	364	274	246	274	329
Lard neutral	112	115	111	125	115
Oleo stock	94	118	57	59	65
Beef fat	---	---	12	20	---
Total animal	1,334	1,617	1,285	1,538	1,371
Cottonseed oil	13,282	10,246	5,522	6,986	9,034
Soybean oil	3,854	4,292	5,625	5,574	7,371
Peanut oil	215	331	186	254	258
Corn oil	142	---	18	22	35
Cottonseed stearine	---	---	---	---	10
Vegetable stearine	---	9	---	---	---
Total domestic vegetable 2/	17,493	14,878	11,351	12,836	16,708
Coconut oil	9,054	8,711	1,560	1,763	3,113
Babassu oil	157	871	1,332	1,345	1,409
Palm-kernel oil	532	114	---	---	---
Total foreign vegetable 3/	9,743	9,696	2,892	3,108	4,522
Total fats and oils	28,570	26,191	15,528	17,482	22,601
Milk	6,411	6,216	3,870	4,315	5,297
Salt and other miscellaneous	1,662	1,472	906	1,028	1,281
Production of oleomargarine	34,847	32,387	19,262	21,608	28,105

Computed from Bureau of Internal Revenue records and Internal Revenue Bulletin

1/ Preliminary

2/ Ordinarily domestically produced.

3/ Not domestically produced.

THE OUTLOOK FOR FATS, OILS, AND OILSEEDS FOR 1940 1/

With the exception of the paint oils, domestic supplies of fats and oils for 1939-40 are the largest on record. Hence the need for imports of vegetable oils and oilseeds is considerably less than a year earlier, when net imports of fats, oils, and oilseeds in terms of crude oil totaled about 1.5 billion pounds.

Production of fats and oils from domestic materials in 1939-40 probably will amount to more than 8.5 billion pounds, or at least 5 percent more than the large production of 1938-39. Stocks of fats, oils, and oilseeds in terms of crude oil on July 1, 1939, totaling about 2.5 billion pounds, were 3 percent larger than a year earlier. Most of the increase in the domestic output in 1939-40 will take place in the production of lard, soybean oil, linseed oil, and grease. Production of cottonseed oil and peanut oil probably will be less than in 1938-39.

Chiefly because of the large supplies of fats, oils, and oilseeds, both in this country and abroad, domestic prices of fats and oils (except for the drying oils) were the lowest in August 1939 for all the months since early 1934. With the outbreak of the European War, however, prices advanced sharply. This was largely a result of speculative anticipation of wartime demand from Europe, but also reflected increased costs for ocean shipments for imported materials, and some strengthening in domestic demand with improvement in industrial activity and consumers' incomes.

Export outlook for 1940

Since 1918, consumption of fats and oils in the United States has increased at a greater rate than domestic production, with the result that import requirements for vegetable oils and oilseeds are considerably larger now than in the early years of the World War. Nevertheless, lard continues to be exported, and with the marked increase in production of soybeans since 1934, a surplus of soybeans also is available for export. Present indications are that the United Kingdom will increase its takings of American lard in the next 1 or 2 years. With improved prospects for exports, prices for lard may regain their former premium over prices for cottonseed and other vegetable oils, lost in recent months because of the large surplus in domestic lard supplies.

Since 1933, the United States has exported very little lard to Germany. Hence the present British blockade of Germany can have no serious effects in reducing our export trade in lard. The demand for American lard in the United Kingdom probably will be increased because of reduced lard production in western Europe and the difficulties that will be experienced in importing oilseeds and vegetable oils from distant colonial possessions and the Far East; the production of whale oil by the United Kingdom, moreover, may be suspended for the duration of the war.

1/ Condensed with some revisions from the annual outlook report of the same title issued by the Bureau of Agricultural Economics and Agricultural Marketing Service on November 15. Copies of the complete report may be obtained on request to the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

In 1938, the United States exported 234 million pounds of lard (including shipments to noncontiguous territories) more than half of which was taken by the United Kingdom. In August 1939, before the outbreak of war, it was estimated that about 330 million pounds of lard would be exported from this country in 1939.

Assuming that imports of vegetable oils and oilseeds into the United States from South America and trans-Pacific sources will not be restricted by the present war, and that import prices will be comparatively low, it is probable that at least 600 million pounds of American lard will be available for export in 1940. Actual exports, however, may not be much in excess of 400 million pounds.

Price outlook for fats, oils, and oilseeds

Domestic and European demand for food and soap fats and oils is likely to increase fairly sharply with increased industrial and war activities during the next year or two. Despite large domestic supplies, prices of edible fats and oils in 1940 are expected to be somewhat higher than in 1939. Demand for drying oils probably will be reduced in Europe in 1940, although such demand may be well maintained in the United States. Present indications are that world supplies of flaxseed and linseed oil in 1940 will be larger than in 1939. And prices of flaxseed and linseed oil may average lower than in 1939 unless commodity prices generally score a sharp advance.

With reduced European imports of products from Southern Hemisphere and Far Eastern countries, resulting from the blockade of Germany and the restricted movement of Allied shipping, it is probable that prices of vegetable oils and oilseeds in the Southern Hemisphere and the Far East, in 1940, will be depressed. Prices in the importing markets of Europe, however, may be increased. The United States is in a relatively favorable geographic position with regard to imported supplies of vegetable oils and oilseeds, and prices of such products may not be raised materially in this country despite increased shipping costs. But any general rise in commodity prices probably would be reflected in increased prices of all fats, oils, and oilseeds in the United States.

Cottonseed supplies below average; demand for products improved

The supply of cottonseed for the 1939-40 season is estimated at about 5.4 million tons. This quantity is slightly smaller than the supply of the 1938-39 season, and about 13 percent less than the 1928-37 average supply. Of the products of cottonseed, supplies of linters for the 1939-40 season are indicated to be relatively large, while supplies of cottonseed oil are about the same as a year earlier and the 10-year average. On the other hand, supplies of cottonseed cake and meal and hulls are below average, and are less than the supplies of the 1938-39 season.

Reflecting the low prices of cottonseed products, with large supplies of edible fats and oils and of high-protein feeds available, prices paid to farmers for cottonseed in August were below the average price of any season since 1933-34. But with the outbreak of war in Europe, sharp advances occurred in prices of cottonseed products. Prices of oil and meal declined somewhat in late September and early October, but a considerable part of the earlier advances was maintained. The price advances apparently were due largely to speculative activity, but they also reflected some improvement in consumer income and higher delivered prices for imported oils and fats due to increased ocean transportation costs. The farm price of cottonseed in mid-October at \$22.88 was about \$6.60 per ton higher than in mid-August, and was slightly higher than a year earlier.

Farm returns from the 1938 crop of cottonseed amounted to about \$80,600,000, or 31 percent less than returns from the large crop of 1937, and 20 percent less than the 10-year (1928-37) average. They were the smallest since 1933. Should cottonseed prices continue at about the October level during the remainder of the 1939-40 marketing season, returns from the current crop would be somewhat larger than those from the 1938 crop.

Cotton acreage in 1940 probably will not be greatly different from that in 1939. With an acreage equal to that of 1939 and a yield about equal to the average for the 5 years 1934-38, the production of cottonseed in the 1940 season would be smaller than in the 1939 season, and considerably smaller than the average for the 10 years 1928-37. The demand for edible oils and feeds in 1940 is expected to be stronger than in 1939, but supplies of products competing with cottonseed oil, meal, and hulls probably will continue large.

Cottonseed oil is the principal product of cottonseed when crushed, and on the average it contributes over 50 percent of the total value of all cottonseed products. The indicated domestic supply of cottonseed oil for the 1939-40 season is about the same as the average for the 1928-37 period. Stocks of cottonseed oil on August 1 were considerably above average, but production of cottonseed oil in 1939-40 is expected to be smaller than a year earlier, and also below average. Supplies of other edible oils and fats, notably lard and soybean oil, are considerably larger than a year earlier, and larger than average.

Reflecting the large supplies of competing fats and oils, prices of crude cottonseed oil in August 1939 were about 30 percent lower than the 1928-37 average, and were considerably lower than those of a year earlier. But with the outbreak of war in Europe, prices of cottonseed oil advanced materially from the low August levels. Both the domestic and the foreign demand for edible fats and oils is expected to be stronger in 1940 than in 1939, and prices of cottonseed oil in 1940 may average somewhat higher than the relatively low prices of 1939.

Cottonseed and cottonseed oil: Stocks, production, total supply, and price, United States, average 1928-37, annual 1935-39

Year beginning Aug. 1	Cottonseed				Cottonseed oil, crude basis			
	Mill stocks Aug. 1	Production	Total supply	Farm price per ton	Total stocks Aug. 1	Production	Total supply 1/	Price per pound, prime summer yellow, New York
	1,000 tons	1,000 tons	1,000 tons	Dollars	Million pounds	Million pounds	Million pounds	Cents
Average 1928-37	103	6,136	6,239	24.04	498	1,466	1,964	7.71
1935	90	4,729	4,819	31.19	506	1,164	1,670	9.82
1936	22	5,511	5,533	33.27	362	1,364	1,726	10.42
1937	42	8,426	8,468	19.50	485	1,962	2,447	7.78
1938	337	5,310	5,647	21.78	559	1,409	1,968	7.07
1939 2/	120	5,300	5,420	21.72	674	1,300	1,974	7.00

Compiled as follows:
Mill stocks of cottonseed and stocks and production of cottonseed oil from reports of the Bureau of the Census.
Production and farm price of cottonseed from Agricultural Marketing Service.
Price of cottonseed oil from Oil, Paint, and Drug Reporter.

1/ Not including imports. 2/ Preliminary estimates of production and supply. Prices are averages for September and October only.

Peanut prices supported by diversion program

Peanut production has been at high levels in recent years, and the 1939 acreage is the largest of record. But yield per acre this year is somewhat below average, and the current crop, according to November indications, is the smallest since 1935. Peanut production since 1934 has been in excess of utilization by the usual trade outlets, but prices to growers have been maintained at relatively high levels by means of the diversion program of the Agricultural Adjustment Administration. Under the diversion program payments have been made for diverting peanuts to crushers each year since 1934, except in the 1936-37 crop year when high prices for peanut oil and peanut meal made it possible for crushers to use large quantities of peanuts without diversion payments.

The quantity of peanuts available for crushing in 1939-40 probably will be about 200 million pounds. Peanut crushings from 1934 to 1938 averaged about 265 million pounds annually compared with about 70 million pounds in the period 1929-33. The increase in crushings in the past 5 years resulted largely from the peanut-diversion program, which caused peanut prices as well as crushings to be comparatively high.

Peanuts: Acreage, production, crushings, and price of peanuts, peanut oil, and peanut meal, average 1928-37, annual 1933-39

Crop marketing season	Peanuts				Price f.o.b. SE mills 3/	
	Acres picked and threshed	Production	Crushed 1/	Farm price per pound 2/	Peanut oil, crude, per pound	Peanut meal, 34% protein per ton
	1,000 acres	1,000 pounds	1,000 pounds	Cents	Cents	Dollars
Average 1928-37	1,377	989,014	141,556	3.2	7.1	28.71
1933	1,217	819,620	45,000	2.8	4.8	27.92
1934	1,488	1,009,950	220,282	3.3	9.3	28.08
1935	1,473	1,147,225	240,223	3.1	9.0	24.16
1936	1,606	1,253,090	295,199	3.7	9.2	35.69
1937	1,500	1,224,190	251,523	3.2	7.1	24.98
1938	1,713	1,309,400	306,252	4/3.3	6.1	21.64
1939	4/1,820	4/1,147,245		5/3.4	5/ 7.0	5/30.25

1/ In terms of peanuts in the shell, year beginning October; Bureau of Censu
2/ Farmer-stock peanuts, crop-year average prices, by States, weighted by production to obtain weighted average for the United States. 3/ Year beginning October. 4/ Preliminary. 5/ Average for October only.

Supplies of edible oils and fats for the 1939-40 marketing season are unusually large. Supplies of feed stuffs also are large. Reflecting these large supplies, peanut-oil prices in August were the lowest since the 1933 marketing season, and peanut-meal prices were the lowest since the 1932 season. But since the European conflict began, prices of peanut oil have advanced markedly and there have been some advances in prices for peanut meal. Even so, the price advances by early November had not been sufficient to enable crushers to use peanuts without subsidy payments. However, another diversion program has been inaugurated for the 1939-40 marketing season, which enables grower cooperatives to purchase farmers' stock peanuts at stated prices.

The prices paid by the cooperatives to growers are the same as those paid for the 1938 crop. The cooperatives may sell either to the edible peanu trade or to crushers. The specified prices are somewhat higher than those that could be paid by crushers on the basis of present prices for peanut oil and meal. Unless prices for peanut products advance from present levels, sales of peanuts by the cooperatives to crushers will be below the purchase prices. But the cooperatives will be reimbursed for any losses by funds made available under the Agricultural Appropriation Act for surplus removal.

Before 1934, except in the World War period, crushings of peanuts had been confined largely to the lower grades which are not suited to the trade for edible peanuts.

The World War apparently had but little effect on the peanut-marketing situation until the 1916-17 season. At that time marked advances in prices of oils and fats resulted in a greatly improved demand for peanuts for crushing. Crushings amounted to about 140 million pounds of peanuts in the shell in the calendar year 1916, 250 million pounds in 1917, about 470 million pounds in 1918, and about 430 million pounds in 1919.

With large supplies of other edible fats and oils available, the demand for peanut oil probably will not increase sufficiently within the next year to bring about any such marked increase in peanut crushings as occurred during the period of the World War.

Soybean production largest on record

Based on November 1 condition, the 1939 harvest of soybeans as beans in the six important commercial States - Ohio, Indiana, Illinois, Iowa, Missouri, and North Carolina - will be more than 75,000,000 bushels compared with the previous record in 1938 of 53,940,000 bushels for these States. Production in other States will total about 4,500,000 bushels, making the total production in the United States almost 80,000,000 bushels compared with 58,000,000 bushels in 1938.

About 48,900,000 bushels of soybeans, or 85 percent of total production, were crushed or exported in the 1938-39 marketing year. Assuming that seed requirements for soybeans in 1940 will not greatly exceed those of 1939, the available supply for crushing and export during the 1939-40 season will be about 70,000,000 bushels. The crushing capacity of mills located in the commercial soybean area of the United States has recently been increased, and now is reported to be around 80,000,000 bushels annually.

Some improvement in domestic demand for soybeans expected

Total supplies of high-protein feeds available for domestic utilization in 1939-40 are expected to be larger than last year and possibly the largest on record. Unless a very marked increase in exports of soybeans should occur, the production of soybean cake and meal is expected to reach a new record high of about 1,300,000 tons compared with approximately 1,050,000 tons in 1938-39. Supplies of feed grains for 1939-40 are expected to be slightly larger than a year earlier. But the number of livestock to be fed is considerably larger this year than last. And the demand for feedstuffs generally is likely to be somewhat stronger than in 1938-39.

As food products account for about four-fifths of the total consumption of soybean oil, the outlook for soybean oil will be similar to the general outlook for edible oils. Soybean-oil production for the 1938-39 season amounted to approximately 415,000,000 pounds, a record high. Production in 1939-40 is expected to total about 500,000,000 pounds. The quantity of soybean oil used as a drying oil may not show any appreciable increase in 1939-40. Recent experiments have shown that soybean oil is suitable for paints when mixed with oils of higher drying properties, but with ample supplies of linseed oil available, little increase, if any, is expected in this field.

Foreign demand for soybeans uncertain

Soybean production in Manchuria, the source of more than 90 percent of the soybeans entering international trade in recent years, has been increasing since 1934. In spite of increased acreage, however, unfavorable weather conditions this year apparently have resulted in a crop smaller than the 170,000,000 bushels produced in 1938. Production in the Danube Basin is expected to exceed 3,600,000 bushels compared with about 2,300,000 bushels last year.

Total European takings of Manchurian soybeans during the 1939-40 season may be somewhat reduced. Germany, which has taken from 20,000,000 to 30,000,000 bushels of Manchurian beans annually, and usually accounts for more than half the total European imports, probably will take a much smaller volume this year. It is possible that some beans may be shipped by rail from Manchuria through the Soviet Union. Imports by other European countries are uncertain, but in view of abundant supplies of other oilseeds available in countries closer to Europe than Manchuria, and relatively large supplies of lard and soybeans available for export in the United States, European imports of Manchurian soybeans probably will decline.

Exports of soybeans from the United States in past years have been small relative to domestic production and have depended on sufficiently large supplies and low prices in this country to enable American exporters to compete successfully with Manchurian soybeans in European markets. United States exports of soybeans from the 1938 crop amounted to approximately 4,400,000 bushels, the largest on record.

Although the foreign demand is somewhat uncertain, present conditions indicate that exports of soybeans from the United States in 1939-40 will exceed those of the past season. Because of the relatively high prices of Manchurian beans in the summer of 1939, European countries were buying the new crop of American beans for October-November shipment. It is believed that about 4,500,000 bushels of the 1939 crop had been bought by September 1 for export. Additional purchases for export have been made since that date.

Further expansion in soybean acreage probable

The average farm price of soybeans in the United States for the 1938 crop was about 68 cents per bushel compared with 85 cents for the 1937 crop and $1.28 for the 1936 crop. In October 1939 the farm price of soybeans was 73 cents compared with 64 cents in August and in October a year earlier.

Despite the low prices, returns for soybeans are still favorable compared with returns from competing crops, especially oats, and it seems probable that the soybean acreage in 1940 will show further expansion. The small combine has come into extensive use in many soybean districts and has contributed toward lower costs of production.

Soybeans: Production, exports, quantity crushed, quantity used for feed or seed, and average farm price, averages 1924-28, 1929-33, annual 1934-39

Year beginning October	Production	Crushed 1/	Exported 2/	Total crushed and exported: Amount	Total crushed and exported: Percent of production	Used for feed or seed 3/	Average farm price per bushel
	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	Pct.	1,000 bu.	Ct.
Average							
1924-28	5,976	487	---	487	8.1	5,489	211
1929-33	13,545	3,397	922	4,319	31.9	9,226	104
1934	23,095	9,105	19	9,124	39.5	13,971	101
1935	44,378	25,181	3,490	28,671	64.6	15,707	79
1936	29,983	20,619	---	20,619	68.8	9,364	128
1937	45,272	30,310	1,368	31,678	70.0	13,594	85
1938 4/	57,665	44,470	4,416	48,886	84.8	8,779	68
1939 4/	79,689						

1/ From Animal and Vegetable Fats and Oils, Bureau of the Census.
2/ From reports of the Bureau of Foreign and Domestic Commerce.
3/ Production minus quantity crushed and exported.
4/ Preliminary.

Further expansion in flax acreage in prospect

The acreage of flax seeded in the United States in 1939 was more than double the abnormally low seedings in 1938. More than four-fifths of the increase was in the spring-wheat area (comprising Minnesota, North Dakota, South Dakota, and Montana), but considerable expansion was made in such States as Kansas and California. Flaxseed production has now approached or attained commercial proportions in southern Texas, Arizona, Oregon, Washington, and Idaho. It is estimated that about 43,000 acres were harvested in the last named States with a production of 500,000 to 600,000 bushels in 1939. As in previous years, production in these States has not been included in the United States production estimates of the Crop Reporting Board.

Many of the factors that contributed to the expansion of flax acreage in the spring-wheat area in 1939 still prevail. Larger per-acre returns from flaxseed than from wheat were received in 1939, as they were in 1938; the September price of flaxseed was more than double that of wheat; and the AAA program for 1940 is as favorable to the production of flaxseed compared with wheat as it was in 1939. These factors are likely to encourage a further expansion of flax acreage in the spring-wheat area in 1940 unless the price of wheat in relation to that of flaxseed advances materially by seeding time.

It is not anticipated that domestic flaxseed production in 1940 will exceed domestic utilization unless abnormally high yields are obtained. Little expansion in acreage is anticipated in the Pacific Northwest, but in the new producing areas of Texas and Arizona it is expected that the 1940 flax acreage may approximate 115,000 acres as compared with less than 25,000 acres in 1939. If this expansion in the Southwest is realized, and if average yields are obtained in all producing areas, flax acreage in the older producing areas could still be increased 70 percent above the 1939 acreage before production would equal average United States crushings during the 5-year period 1934-38. But if yields should equal those obtained in 1938 and 1939, the older producing areas could expand their acreage only 50 percent before domestic production would approximate domestic consumption.

Any expansion in domestic flaxseed production that would result in a crop near or equal to domestic utilization would mean that much of the spread between domestic and foreign prices maintained in past years by a 65-cent tariff would be lost to domestic producers; such an expansion, moreover, would tend to lower world prices of flaxseed by increasing world supplies.

World flaxseed supplies relatively large

World supplies of flaxseed for the remainder of 1939 apparently are about the same as a year ago, with an increase in North American production of about 10 million bushels being offset by a decrease in remaining stocks in the Southern Hemisphere. The Argentine flax acreage for harvest beginning December 1939 has been officially estimated at 7,413,000 acres, an increase of about 12 percent over 1938-39. Growing conditions are reported to be favorable and suggest a new crop supply of Argentine flaxseed for 1940 considerably larger than that for 1939. The Argentine crop normally supplies about four-fifths of the flaxseed entering world trade.

European demand for flaxseed likely to decline

Since flaxseed is not a basic war commodity, a decline in European demand is expected for 1940. During the World War the demand for food crops in European countries increased, whereas the demand for flaxseed declined. The belligerent nations in the present conflict have been the largest European importers of flaxseed in recent years, but because of the war it is probable that their imports of flaxseed will decline in 1940.

The United States demand for flaxseed probably will not be greatly different from that in 1939. The total volume of building construction is not expected to change greatly, although general business activity and the commodity price level probably will be higher. The increase in building construction in 1939 has been reflected in some improvement in the demand for linseed and other drying oils. The demand for linseed oil also has been sustained by the sharp curtailment in shipments of tung oil from China as a result of military operations in that country. It seems probable that shipments of tung oil will continue small for the next several months at least. Although oiticica oil from Brazil and dehydrated castor oil may be substituted to some extent for tung oil, chiefly in the varnish field, it is probable that, on the basis of supply and price, linseed oil will continue in increased demand in this country as a result of the shortage in domestic supplies of tung oil.

Supplies of linseed meal for domestic utilization in 1939-40 will be larger than those of a year earlier because of the larger domestic crop of flaxseed. But the domestic demand for linseed meal probably will be well maintained or improved despite increased competition from soybean meal, since total livestock feeding requirements are expected to be larger than a year earlier.

With increased world supplies and reduced European demand, flaxseed prices in 1940 are likely to average lower than in 1939 unless commodity prices generally score a sharp advance. Increased shipping costs, however, will tend to widen the spread between prices in Argentina and the United States.

Supplies of specified fats and oils, high-protein feeds, and feed grains, United States, average 1928-37, annual 1935-39
(Stocks at beginning of marketing year plus factory production)

Marketing year	Fat or oil					Cake and meal					
	Cottonseed oil	Peanut oil	Soybean oil	Lard incl. neutral 1/	Total	Cottonseed	Peanut 2/	Soybean 2/	Linseed 2/	Total	Feed grain 3/
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	Mil. tons
Average 1928-37	1,964	49	108	1,464	3,585	2,229	29	246	506	3,010	108
1935	1,670	97	223	890	2,880	1,937	48	600	480	3,065	97
1936	1,726	95	223	996	3,040	2,097	59	492	616	3,264	71
1937	2,447	103	315	1,088	3,953	2,872	50	716	433	4,071	105
1938 4/	1,968	107	471	1,325	3,871	2,238	65	1,050	485	3,838	111
1939 5/	1,974	85	550	1,640	4,249	2,000	45	1,300	550	3,895	115

Compiled from reports of the Bureau of the Census except as otherwise stated. Year beginning August for cottonseed oil, lard, and cottonseed cake and meal; year beginning October for peanut and soybean oils, peanut, soybean and linseed cake and meal. For feed grains, stocks on June 1, July 1, or October 1 (depending upon kind of grain) plus production.

1/ Agricultural Marketing Service. Stocks on August 1 plus production under Federal inspection year beginning August. 2/ Production only. 3/ Computed from reports of the Agricultural Marketing Service. 4/ Preliminary. 5/ Estimates.

Flaxseed: Acreage, production, yield per acre, seed requirements, net trade, stocks, and crushings, United States, 1930-39

Year	Acreage		Production	Average yield per acre harvested	Seed requirements for following year	Year beginning July 1								
							Stocks, July 1							
	Seeded	Harvested				Net imports	Factory or crushers	Market or commercial	Farm	Total	Crushings	Total supply	Total accounted for 1/	Balance 2/
	1,000 acres	1,000 acres	1,000 bu.	Bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.	1,000 bu.
1930	4,466	3,780	21,673	5.7	1,959	7,813	2,328	433	461	3,222	27,054	32,708	31,496	1,212
1931	3,724	2,431	11,755	4.8	1,422	13,849	1,198	802	483	2,483	23,700	28,087	28,022	65
1932	2,691	1,988	11,511	5.8	990	6,213	1,459	901	540	2,900	17,370	20,624	20,460	164
1933	1,812	1,341	6,904	5.1	871	17,901	854	960	286	2,100	23,006	26,905	26,390	515
1934	1,588	995	5,661	5.7	1,278	15,332	1,421	646	446	2,513	20,720	23,506	24,179	- 673
1935	2,392	2,096	14,520	6.9	1,369	15,388	1,464	344	373	2,181	26,544	32,089	31,244	845
1936	2,548	1,126	5,273	4.7	731	26,096	2,222	743	366	3,331	30,340	34,700	34,410	290
1937	1,346	934	7,089	7.6	602	17,860	2,484	630	225	3,339	25,870	28,288	28,671	- 383
1938 3/	1,096	954	8,171	8.6	1,302	18,744	1,472	552	175	2,199	25,568	29,114	29,166	- 52
1939 3/	4/2,324	4/2,034	4/17,439	8.6			1,958	285	53	2,296				

Acreage, production, yield per acre, and seed requirements from the Agricultural Marketing Service.

Trade figures from Bureau of Foreign and Domestic Commerce, Foreign Commerce and Navigation of the United States and June issues of the Monthly Summary of Foreign and Domestic Commerce of the United States.

Crushings from Bureau of the Census, Animal and Vegetable Fats and Oils.

1/ As crushings, seed for following year, and stocks at end of year.
2/ Balance unaccounted for at end of year.
3/ Preliminary.
4/ Does not include production in new areas in Texas, Arizona, Oregon, Washington, and Idaho.